

**MINUTES OF THE SPECIAL MEETING
ILLINOIS GAMING BOARD
DECEMBER 16, 1997
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

A Special Meeting of the Illinois Gaming Board ("Board") was held on December 16, 1997, in room #S-304 of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board members participated via telephonic conferencing: Chairman J. Thomas Johnson and Members William B. Browder, Gayl S. Pyatt and Robert F. Vickrey.

The meeting convened at 9:40 a.m. Member Browder moved **pursuant to section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, that the Board retire to closed session to discuss the following subject matters:**

- 1. Issues concerning applicants and licensees;**
- 2. Recommendations of the Administrative Law Judges;**
- 3. Pending litigation and matters involving probable litigation;**
- 4. Investigations;**
- 5. Personnel matters; and**
- 6. Closed session minutes.**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in open session at 10:33 a.m.

The Chairman stated that the Administrator will make a brief report and that Empress Casino Joliet has requested that the Board defer action on the Empress reorganization matter to the January 20, 1998 meeting.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and, Internal Control System changes.

The Administrator also reported that:

- An initial report on Patron Survey Results was given to Board members and the Administrator will follow-up telephonically with each member to discuss the results.
- Players International, Inc. ("Players") has not finalized its financial agreement with Wells Fargo N.A. Wells Fargo has indicated to Players some concerns resulting from the Missouri decision that places in jeopardy the status of Players' Missouri operation as well as other licensed entities in Missouri.

Owner Licensee Items

CASINO QUEEN, INC. - The Chairman stated that the Board has received an initial request for consideration from Casino Queen for Preventive Maintenance on its vessel. The Chairman stated that final action will be taken at the January meeting.

SIRCC - Mike Miller and Ross Kimbarovsky, representing SIRCC, requested approval of its Preventive Maintenance request.

In response to Member Vickrey, Mr. Miller stated that he is the Chief Engineer employed by Players/SIRCC.

Member Vickrey asked Mr. Miller when the preventive maintenance work will commence. Mr. Miller stated that work on the engines will commence as soon as all the parts are received. Member Vickrey asked whether it is Players/SIRCC's intention to do the work on a continuous basis until it is complete. Mr. Miller stated that persons will be working eighteen hour shifts seven days a week until the work is complete.

Member Vickrey moved **that, pursuant to the Board resolution adopted in July of 1996, the Board approve SIRCC's request for a waiver of Board Rule 3000.510 to allow SIRCC to conduct gaming while remaining dockside while preventive maintenance is being performed on the Player's II starboard engine. In granting the waiver the Board has considered the following:**

- 1. SIRCC's work plan and the time requested;**
- 2. Evidence that the riverboat must remain dockside for the planned maintenance to be completed;**
- 3. Evidence of SIRCC's inability to postpone the repairs;**
- 4. SIRCC's overall cruising record; and**
- 5. Efforts made by SIRCC to perform the planned maintenance during times when the riverboat is normally docked due to inclement weather.**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

Board Rules

The Administrator reported that the Governor signed into law state legislation that affects how education is funded. One of the revenue sources anticipated to help implement the provisions of that law is a change in the state gaming tax on Adjusted Gross Receipts ("AGR"). The Administrator stated that all owner licensees will be subject to differing levels of taxation during the course of a year based upon increases in annual AGR. All licensees will begin the year with a 15 percent AGR tax for the first \$25 million, building up in increments to a tax of 35 percent of AGR for receipts in excess of \$100 million.

The Administrator discussed three issues that gave rise to the need for the new rule. (1) What constitutes the twelve month period for the application of the graduated tax? Staff understand the annual basis to be a calendar year so the rule specifies that the graduated AGR tax is enforced for each calendar year, beginning with the 1998 calendar year. (2) What happens on New Years Eve 1997? The 20 percent tax rate will apply to this date even though the gaming day ends on January 1, 1998. The gaming day commencing January 1, 1998 will be taxed at the new rate. (3) Adjustments of audits. Periodically, due to a quarterly audit or an internal finding by the licensee, a wagering amount differs for a given day so an adjustment to the tax is needed. The proposed rule states that if an adjustment is made to a gaming day which begins on or before December 31, 1997 the adjustment will be made at the 20 percent tax rate. For any other adjustment it will be subject to the tax rate in effect on the day it is reported by the licensee. The proposed rule also specifies that adjustments of over \$25,000 in AGR must be made with the approval of the Administrator; any lesser adjustment is the responsibility of the licensee.

The Administrator further stated that staff also incorporated two items important for licensees. The first, is a liberalization of the Board's procedures for when licensees fail to file their tax returns or tax payments the day after the gaming day ends. The rules will now allow under "good cause" a determination that if an inadvertent or unintentional error is corrected within one business day, penalties may be waived. The second addition recognizes "loss carry forwards" from one gaming day to the next. Under the circumstances where a large jackpot is paid-out, that jackpot might exceed the AGR for that day thereby creating a negative AGR. The proposed rule states that a negative AGR can be carried forward to the next gaming day and thus allow the next gaming day's tax assessment to be reduced.

The Administrator asked the Board to consider the new rules as emergency rules as well as permanent rules.

Member Browder moved that:

Whereas, on December 2, 1997 the General Assembly adopted legislation which, among other matters, increased the wagering tax on riverboat casinos, based on a graduated tax, effective as of January 1, 1998; and

Whereas, the Board finds that there is a threat to the public interest and welfare unless an emergency rulemaking is promulgated prior to January 1, 1998.

Now, Therefore, Be It Resolved, that the Board hereby approves the emergency submission of proposed Board rule 3000.1071 as well as the concurrent filing of an identical rulemaking for public comment; and

Be It Further Resolved, that the Board delegates to the Administrator the authority to make technical, non-substantive changes to the proposed rule as he deems necessary in order to effectuate a proper rule submission.

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The Administrator noted for the Board that Michael Hansen and Donna More were present representing Empress Casino Joliet.

Mr. Hansen stated that Empress has not been able to obtain the necessary shareholder approval for the reorganization and appreciates the Board's consideration in postponing action.

There being no further business to come before the Board, Member Vickrey moved **that the Board stand adjourned**. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 11:01 a.m.

Respectfully Submitted,

Susan O. Weber
Secretary of the Board